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8 FEB 1950

The Honorable
The Secretary of the Interior
Department of the Interior
Washington 25, D. C.

Dear Mr. Secretary:

The receipt is acknowledged of your letter dated 20 January 1950 in which you request reconsideration of the decision to withdraw financial support at the end of Fiscal Year 1950 from the Department of the Interior for preparing NIS Subsections 62C (Petroleum).

As you know, the NIS Program is an intelligence function in the field of foreign intelligence designed to assist in planning for the national defense and security. It is my duty under law, and by direction of the National Security Council, to allocate such functions.

When the Department of the Interior was requested, some two years ago, to assist in the preparation of the NIS contributions referred to above, there was in existence no government agency specifically charged with the production of foreign intelligence studies on petroleum. The foreign intelligence agencies of the Government (those of the Departments of State, Army, Navy, and Air Force) did not feel that their capabilities to produce this category of intelligence, while existent in some degree, were adequate to meet the requirements of the NIS.

It was thought necessary, therefore, to invoke the authority granted the Director of Central Intelligence by Intelligence Advisory Board Directive No. 1, 21 April 1947 (since incorporated in National Security Council Intelligence Directive No. 3, 13 January 1948) and seek the augmentation of intelligence agency capabilities by those of some non-intelligence agency. It appeared that the Bureau of Mines, by reason of its general activities in the field of petroleum, was, at that time, the best qualified non-intelligence agency to provide this augmentation. Accordingly, the responsibility for preparation of Subsections 62C (Petroleum) was allocated to the intelligence agency of the Department of State "with the assistance of the Department of the Interior."

The situation was altered by the 3 May 1949 memorandum of the Secretary of Defense for the Chairman, Munitions Board, transferring the Armed Services Petroleum Board to the Munitions Board and

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reconstituting the former as the Munitions Board Petroleum Committee. The memorandum charges this Committee with the following specific functions, among others:

"Advise the Munitions Board with respect to foreign trade and related matters which concern petroleum;

"Prepare estimates of petroleum capabilities for war of foreign nations;

"Prepare such studies - - - in connection with petroleum matters as may be requested by the Secretary of Defense, the Joint Chiefs of Staff, the Munitions Board, the Research and Development Board, and the Secretaries of the Army, Navy, and Air Force;"

These functions are definitely of a foreign intelligence nature. Furthermore, the agency upon whose requirements the NIS Program is predicated is the Joint Chiefs of Staff. Hence, the intelligence agencies of the Government unanimously agreed that the newly established Munitions Board Petroleum Committee should logically assume responsibility for the preparation of petroleum intelligence for the NIS.

It is an agency of the Department of Defense and, as such, has unrestricted intercourse with the intelligence agencies of the Government. Its personnel are all cleared for the use of material of the highest security classification. In addition to having a staff of highly qualified petroleum specialists, it has access to the services of specialists available only to the Department of Defense.

The authority of your Department, set forth in documents inclosed with your letter of 20 January 1950, with regard to petroleum matters seems clear. A specific assignment of foreign petroleum intelligence functions, however, has not been noted. It appears, therefore, that your Department's primary concern is with domestic petroleum matters rather than with foreign petroleum intelligence. However, where your Department possesses capabilities within the field of its normal activities which will further this national intelligence effort, its assistance and cooperation will be greatly appreciated in the interest of avoiding undesirable duplication.

Under the circumstances, I cannot agree that withdrawal of financial support from the Bureau of Mines is an instance of administrative mismanagement or faulty coordination at the upper levels of policy making. The allocation of this NIS production responsibility to the Munitions Board Petroleum Committee is supported unanimously by the foreign intelligence agencies of the Government as necessary and proper

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in view of the intelligence functions of that Committee within the National Defense Organization. I regret, therefore, that after reconsideration of this matter I cannot continue beyond this fiscal year financial support of the petroleum intelligence program as currently functioning.

Sincerely,

Signed

R. H. HILLENKOEPPER
Rear Admiral, USN
Director of Central
Intelligence

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